

June 20, 1955

Dear Mr. Hughes:

You will recall that earlier this year this office requested the Bureau of the Budget to re-submit to the agencies for their views the draft legislation covering overseas allowances and differentials which had been cleared with them last year and transmitted to the Congress but which was not reached for action at the last session.

The attached bill is a revision of the original draft, taking into consideration insofar as possible the suggestions made by the agencies. Revisions of the section analysis and statement of justification are also attached. Numerous changes have been made but the principal ones relate to -

- (1) education allowances and transportation for education purposes which has been changed to conform to the provisions in Public Law 22 which added authority for these two items to the Foreign Service Act.
- (2) elimination of an allowance for storage and substitution therefor of amendments of the storage provisions in the Foreign Service and CIA Acts, and amendment of the Administrative Expenses Act of 1946 by adding a new section, to permit payment by all agencies of storage expenses for overseas employees on a permanent basis under certain conditions.
- (3) elimination of allowance provisions for representation and for official residences and substitution therefor of amendments to the Administrative Expenses Act of 1946 to include these items as administrative expenses under regulations of the President.
- (4) addition of a new differential for the Territories and possessions, designated as a prevailing rate differential, which is intended primarily for locally recruited employees in areas where prevailing wage rates are substantially higher than statutory rates.
- (5) addition of a savings clause which will result, within a prescribed period, in discontinuance of payment of cost of living allowances to locally recruited employees.

Honorable Rowland R. Hughes  
Director  
Bureau of the Budget

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Since the changes are of major significance I believe that it is only proper that the agencies be requested to review and comment on the new draft and, if possible, submit new estimates of costs. However, in view of the fact that there has been considerable delay in developing new language to incorporate agency suggestions, and since we are still hopeful of submitting the proposal to the Congress in time for action this session, I would suggest that June 30 be established as the deadline for agency replies. I do not believe that this is unreasonable in view of their previous consideration of the original draft.

Sincerely yours,

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